MyState LIMITED
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17 February 2017

The Manager
Company Announcements
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

MyState Limited – Correction to Investor Presentation

Please be advised that an amendment has been made to pages 4, 11 and 22 of the MYS Investor Presentation released to the market earlier today to correct an understatement of Common Equity Tier 1 capital.

The amended Investor Presentation is enclosed.

Yours faithfully

Scott Lukianenko
Company Secretary

17 February 2017

MyState Limited
FY17 Half-Year Results Presentation

MyState

ROCK

Tasmanian Perpetual Trustees

MyState LIMITED

Agenda

1 **Overview**
Melos Sulicich
CEO & Managing Director

2 Financial Results
David Harradine
Chief Financial Officer

3 Summary and Outlook
Melos Sulicich
CEO & Managing Director

The MyState Student Film Festival is Tasmania's premier youth artistic event.

Key messages

High quality loan book with NIM and ROE ahead of peers

Significant continuing organisational transformation

- Sound result in a difficult market.
- Momentum in loan book growth continues, particularly in lower risk segments.
- Exemplary asset quality and credit performance.
- Disciplined execution on strategy with Transformation Program well underway, providing a platform for further growth and productivity improvements.
- New internet and mobile banking platform plus Apple Pay and Android Pay launched.
- Strong balance sheet and capital, with reactivation of DRP.

1H17 results overview

NPAT growth and maintained EPS despite sectoral headwinds

Total operating income: **$61.8m** ▲ **0.8%**	Return on equity: **10.2%** ▼ **-20bps**
Net profit after tax: **$15.2m** ▲ **0.7%**	Earnings per share: **17.3cps** ▬ Steady
Net interest margin: **1.94%** ▼ **-18bps**	Cost-to-income ratio: **66.4%** ▲ **240bps***
Capital adequacy ratio: **13.0%** ▬ Steady	Common Equity Tier 1 ratio: **10.9%** ▼ **-50bps**
Home loan book: **$3.94b** ▲ **15.0%** 2.4x system	Customer deposits: **$2.93b** ▲ **16.0%** 1.6x system
30-day arrears: **0.54%** Well below industry averages	Dividend – fully franked **14.0 cents** ▬ Steady

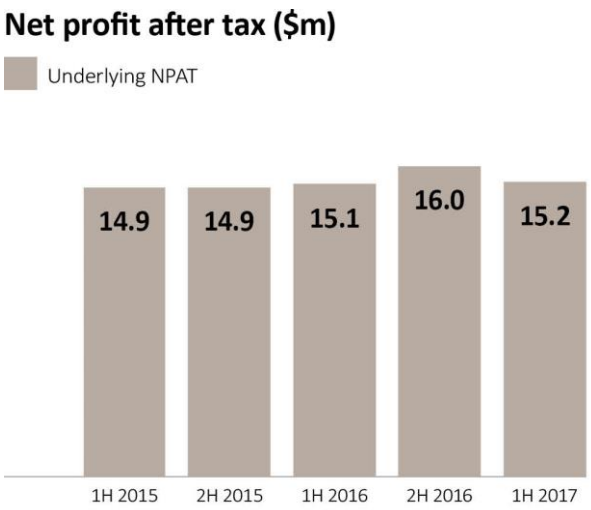
*36bps increase excluding significant M&A project costs (refer to slide 21)

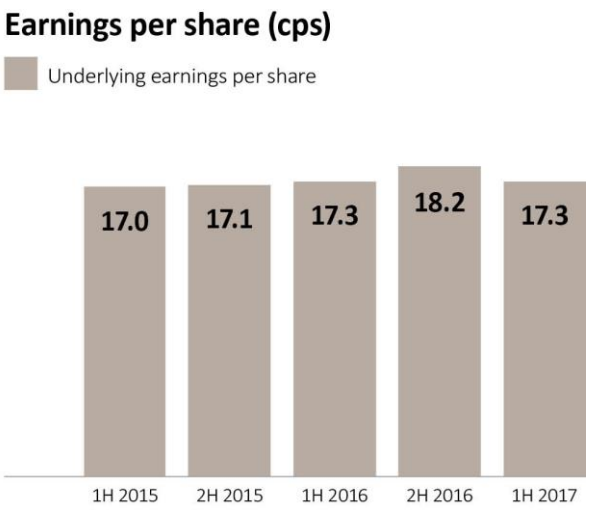
Performance and returns

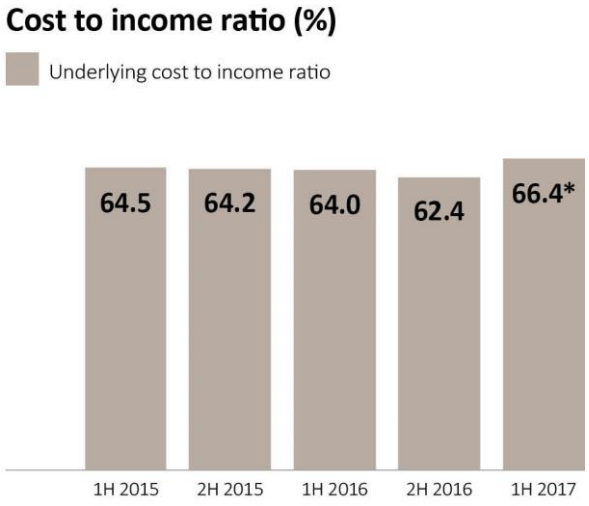
NPAT uplift on pcp with EPS maintained

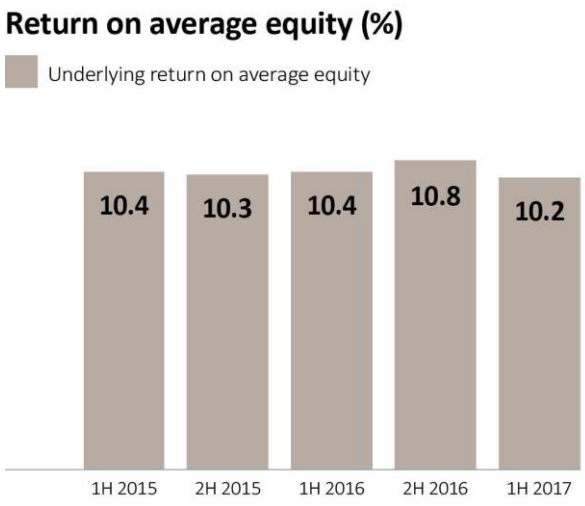
Cost to income impacted by M&A costs carried into 1H17

Excluding M&A activity cost growth held to 1.5% on pcp









*1H17 cost to income ratio 64.4% excluding significant M&A project costs (refer to slide 21)
1H15 and prior periods include Cuscal dividends; 1H15 Cuscal dividends were $0.4 million; 2H16 excludes $1.75million M & A costs

Applications and settlements maintained at higher levels

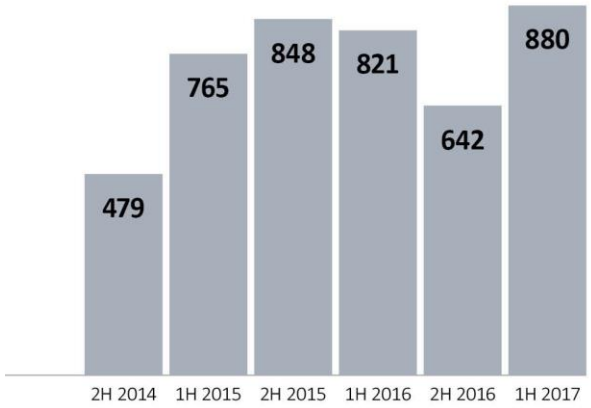
Strong broker and retail relationships reflected in settlements growth

1H 2017 settlements exceeded the pcp by 26%. Home loan book growing at 2.4x system[1]

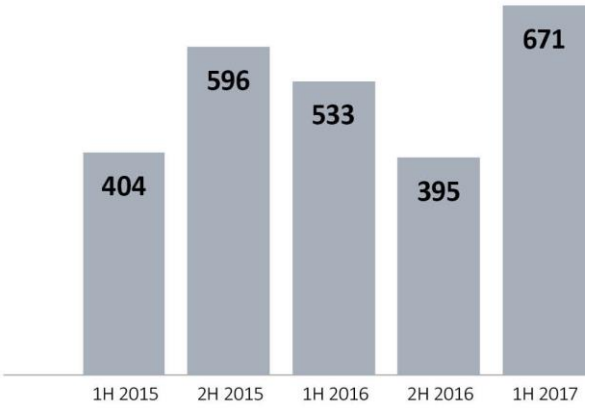
Increased conversion rate of applications reflects higher service levels and operational efficiency

1. Source: APRA banking statistics December 2016.

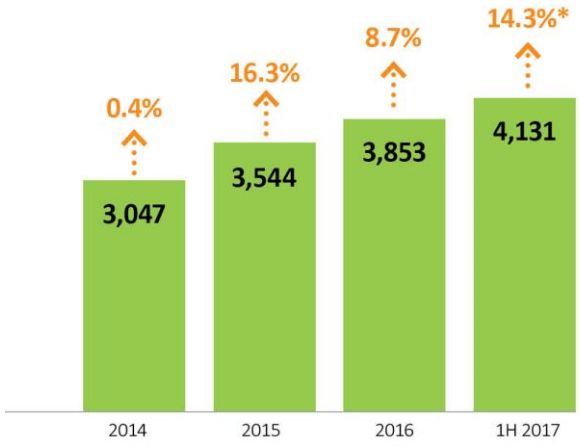
Application values ($m)



Half yearly settlements ($m)



Loan book ($m)



Net Interest Income ($m)

*Annualised growth rate

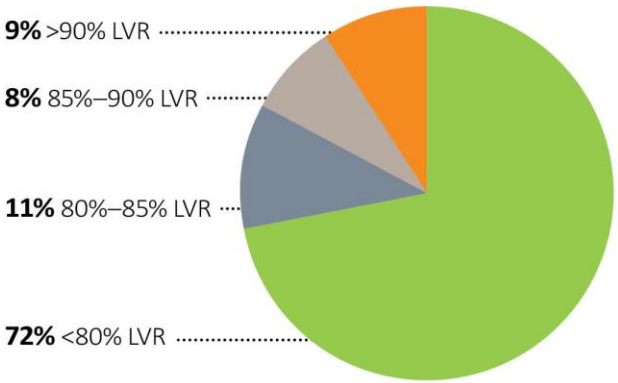
Low LVR growth strategy

Low-risk loan book and low LVR lending continues

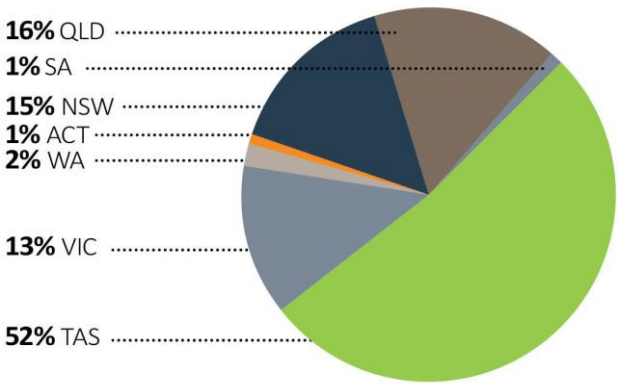
Geographic concentration reduced

Outstanding arrears performance

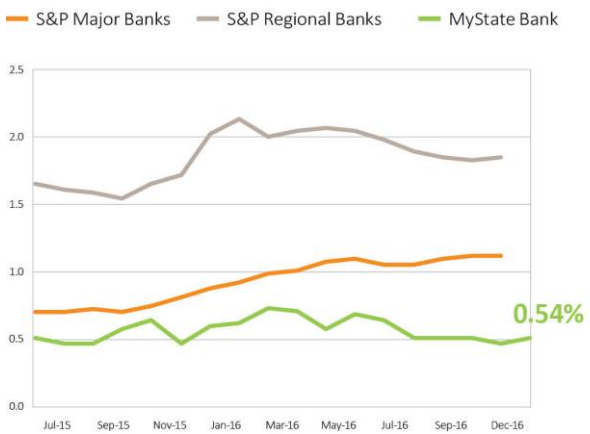
Home loan book by LVR



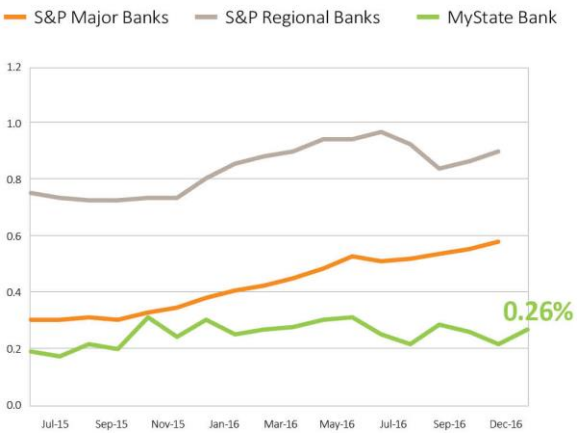
Home loan book by geography



30+ day arrears remaining well below peers



90+ day arrears a similar story



Delivering on our strategic goals

Making a genuine difference to our customers and communities every day

GROW	Growth in our revenue drivers	• $4b+ loan book with home loans growing at 2.4x system • Modest revenue growth in a challenging environment • Strong and stable customer deposit growth • Loan book re-pricing in January 2017 providing some momentum for 2H17
SIMPLIFY	Simplifying processes for third party and direct channels	• Consolidating data centres and core banking systems • Lean approach to simplifying processes • Customer experience and productivity focus • Improving application turnaround times is a constant focus
STRENGTH	Capital ratio and arrears levels maintained	• Sustainable growth in lending and customer deposits • Growth in low LVR and owner-occupied lending providing both capital and credit quality benefits • S&P upgrade from BBB to BBB+ • $300m RMBS issued with strong and broad investor support
RELATIONSHIPS	Better broker and customer engagement	• GM Banking, Sales and Service appointed to further retail banking focus • Dedicated GM Broker to further build national growth platform • Genesys contact management system to enhance customer experience • Increased brand presence and community engagement
TRANSFORM	Transforming capability	• Investment in digital systems and analytical capability to drive profitable growth • IB and mobile banking implemented for MSB with Rock in 2H17 Investment in CRM with phase 1 launched January 2017 • Payment innovation through Android Pay and Apple Pay • Preparation to move on to New Payments Platform at launch

Our transformation roadmap

2015 — **Transformational journey** — **2019**

2015

- Fragmented view of customers
- Inward-focused processes (best for us)
- Service-focused people
- Disparate systems and processes and some manual workflow
- Legacy technology platforms

MANUAL PROCESSES

CUSTOMER-CENTRED BUSINESS

OMNI-CHANNEL

2019

- Single view of customer
- Customer focused processes (best for them)
- Relationship focused business and people
- Simplified systems and processes
- Analytical data-driven business

Future benefits

Customer experience future
Barriers to great customer experience removed. Customer feedback part of every day.

Employees' future
Capable, empowered, engaged workforce.

Customer engagement future
Unique customer experience.

MyState's future
Integrated customer proposition.

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MyState's vision is to make a genuine difference to our customers and communities everyday.

Financial results

Profitability maintained in a challenging environment

Continued loan book growth whilst maintaining a strong balance sheet

	1H 2016	2H 2016*	1H 2017	Change (v 1H 2016)		Change (v 2H 2016)	
Total operating income ($m)	61.3	62.1	61.8	▲	0.8%	▼	-0.5%
Net Profit after tax ($m)	15.1	16.0	15.2	▲	0.7%	▼	-5.1%
Net interest margin (%)	2.12	2.13	1.94	▼	-18bps	▼	-19bps
Cost-to-income ratio (%)	64.0	62.4	66.4	▲	240bps*	▲	403bps
Capital adequacy ratio (%)	13.0	13.0	13.0	–	–	-	-
Common Equity Tier 1 ratio (%)	11.4	11.4	10.9	▼	-50bps	▼	-50bps
Earnings per share (cps)	17.3	18.2	17.3	–	–	▼	-4.9%
Return on tangible equity (%)	14.3	14.8	13.5	▼	-80bps	▼	-130bps
Return on equity (%)	10.4	10.8	10.2	▼	-20bps	▼	-60bps
Dividend – fully franked (cents)	14.0	14.5	14.0	–	–	▼	-0.5cps
Dividend payout ratio (%)	81	80	81	–	–	▲	-1.3%
Credit performance – 30 day arrears (%)	0.49	0.70	0.54	▲	5bps	▼	-16bps

*36bps increase excluding significant M&A project costs (refer to slide 21)
2H 2016 underlying result excludes $1.75 million in merger and acquisition costs.

1H NPAT steady

Continuing strong credit and bad and doubtful debt performance

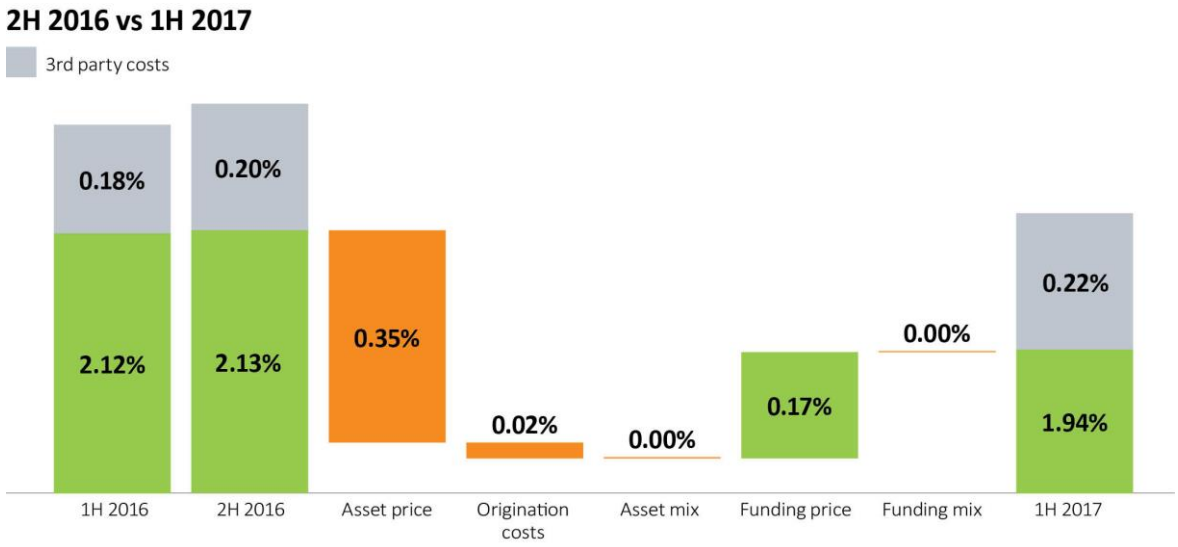
- 1H earnings maintained in a challenging revenue environment.
- RBA cash rate reductions resulting in lower asset yields, with funding costs (in particular customer deposit pricing) slower to respond.
- Banking non-interest income in line with pcp. Initiatives to improve wealth revenues are ongoing.
- Excluding M&A costs, operational expenditure growth continues to be managed (growth restricted to 1.5% on pcp).

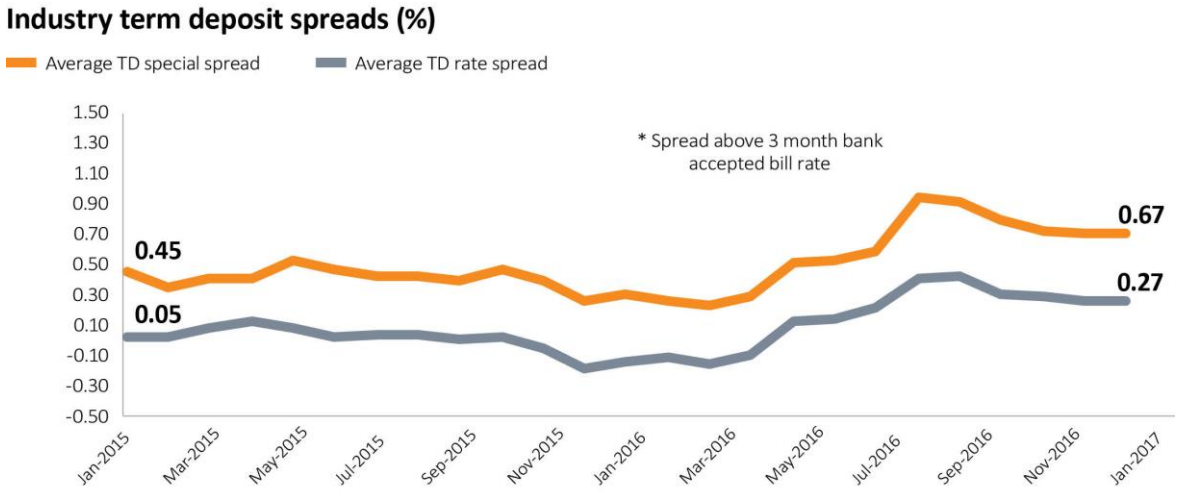
Net Interest Margin

NIM pressure continues from lower for longer rate environment, growth in lower risk lower margin owner occupier / low LVR lending and higher customer deposit spreads

A repricing of the home loan book in Jan 2017 to provide margin and revenue benefits

Margin management a key focus

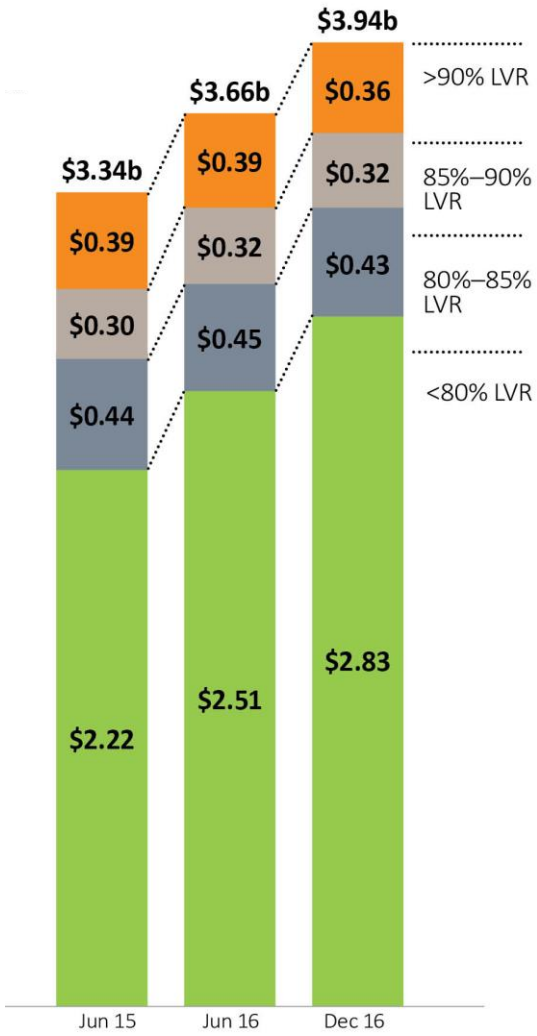




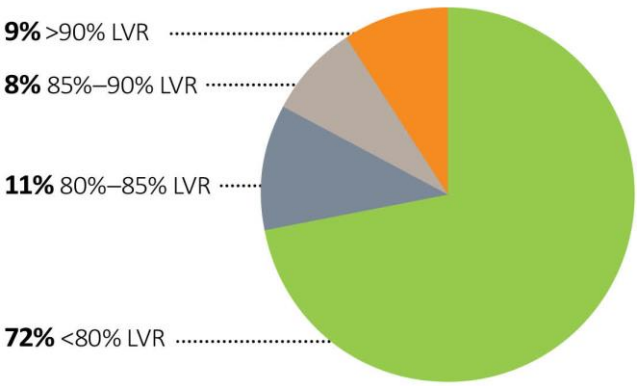
Growing in a low risk manner is a strategic imperative

1H17 growth entirely from <80% LVR lending

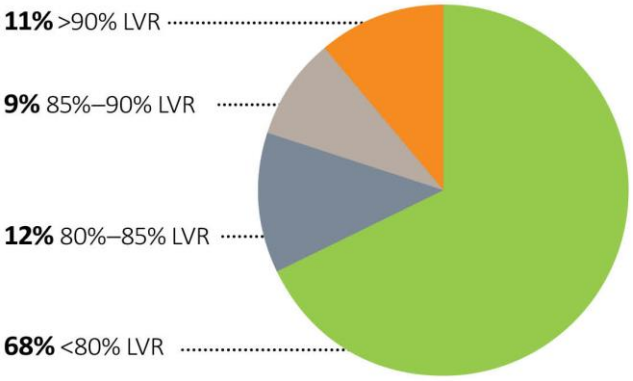
Home loan book composition ($b)



1H 2017 home loan book by LVR ($3.9b total)



2016 home loan book by LVR ($3.7b total)

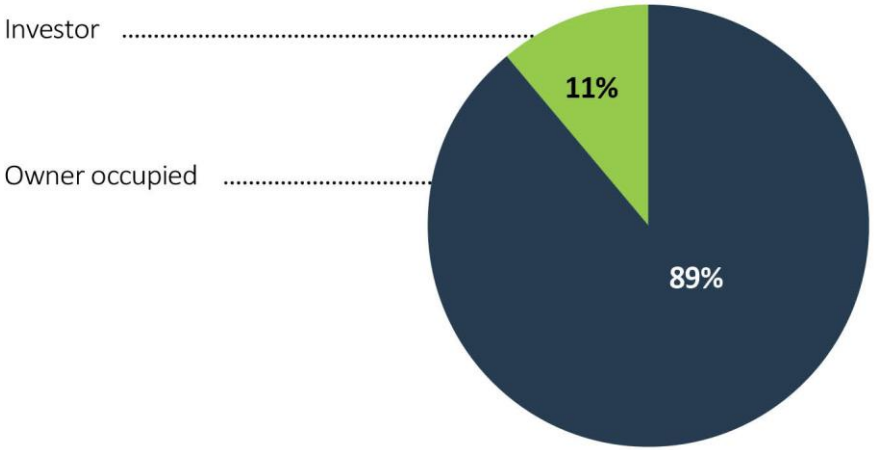


Growth in owner-occupier lending

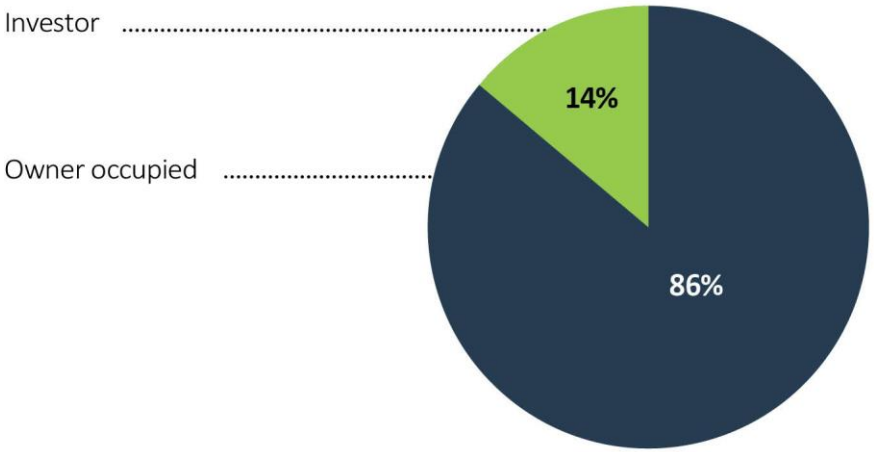
Despite continued competition, MyState has continued its above system growth, with housing loan growth at 2.4x system[1]

With investor lending growth well within regulatory requirements

Home loan settlements composition



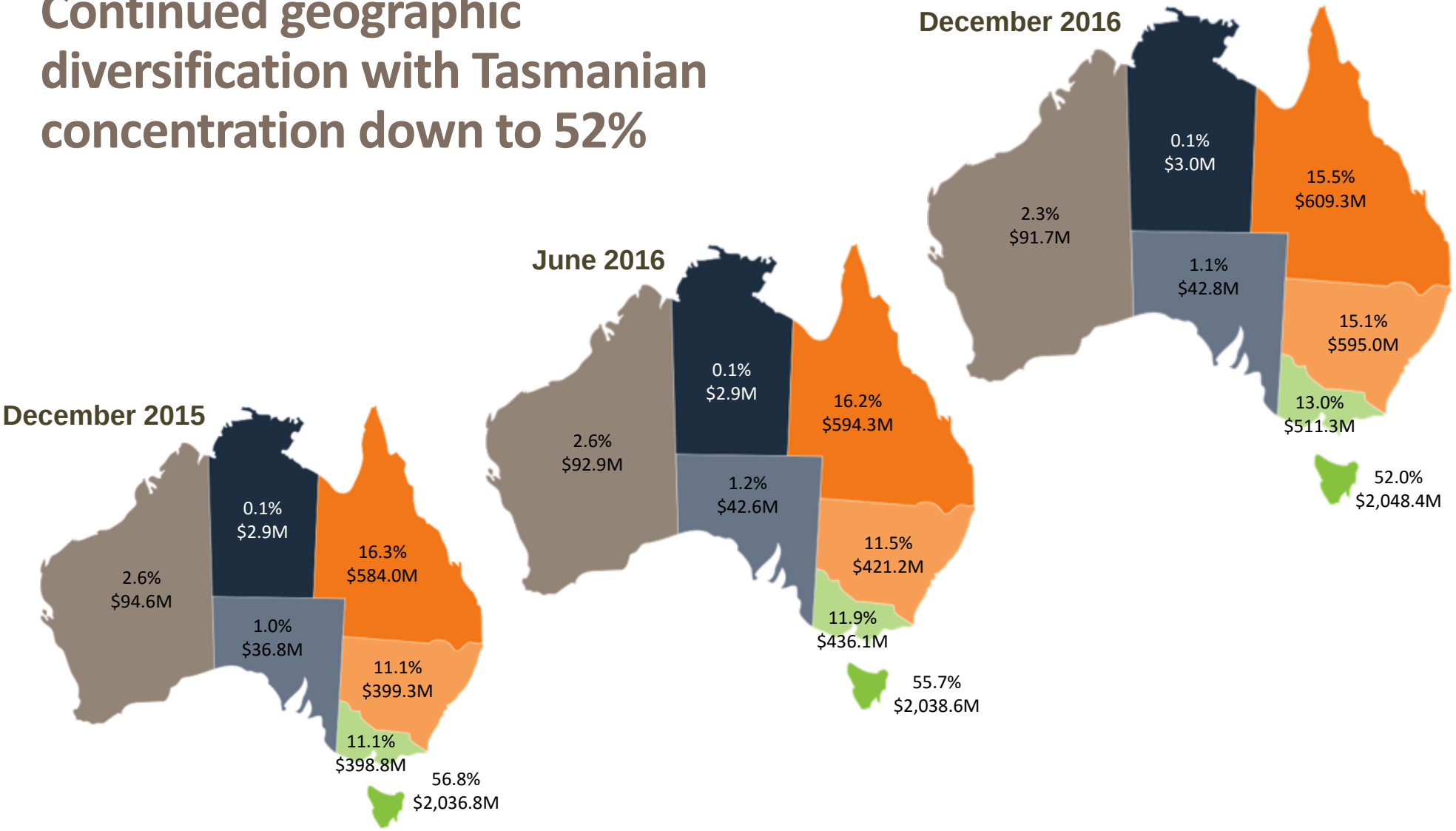
Home loan book composition



December 2016

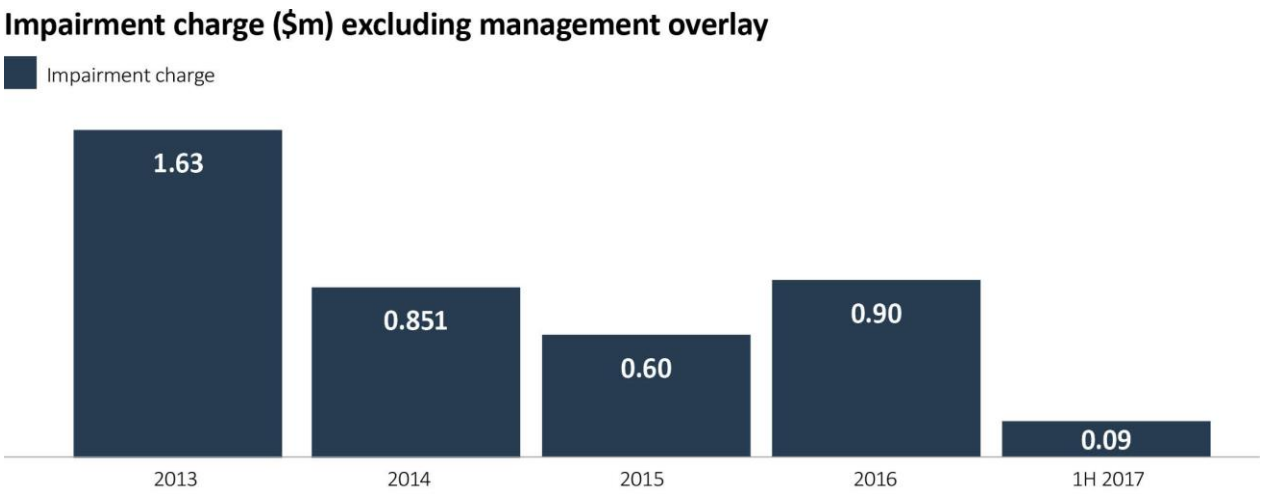
1. Source - APRA banking statistics December 2016

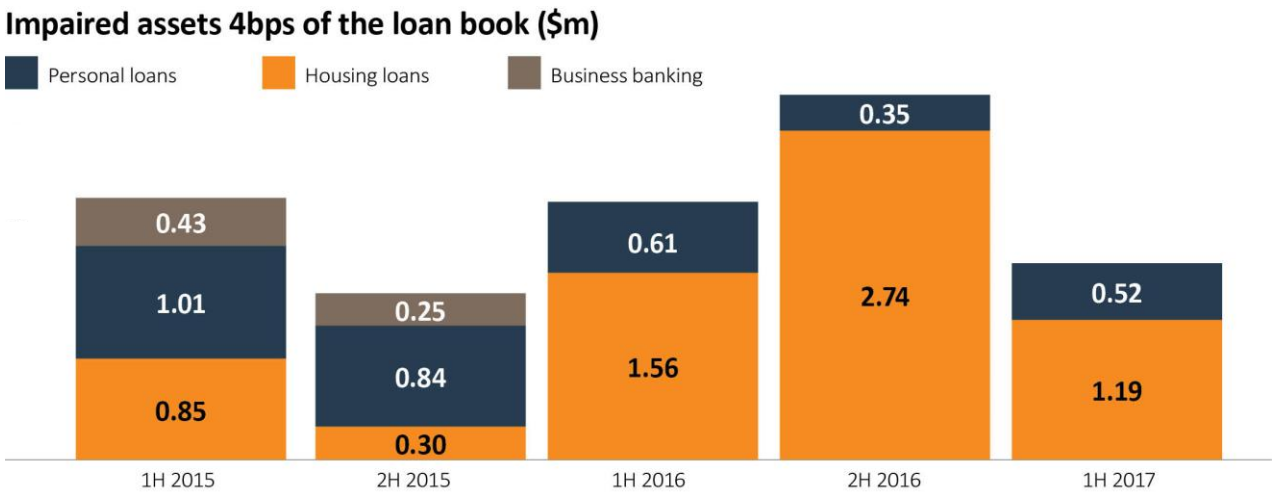
Continued geographic diversification with Tasmanian concentration down to 52%



Credit performance continues to be at industry leading levels

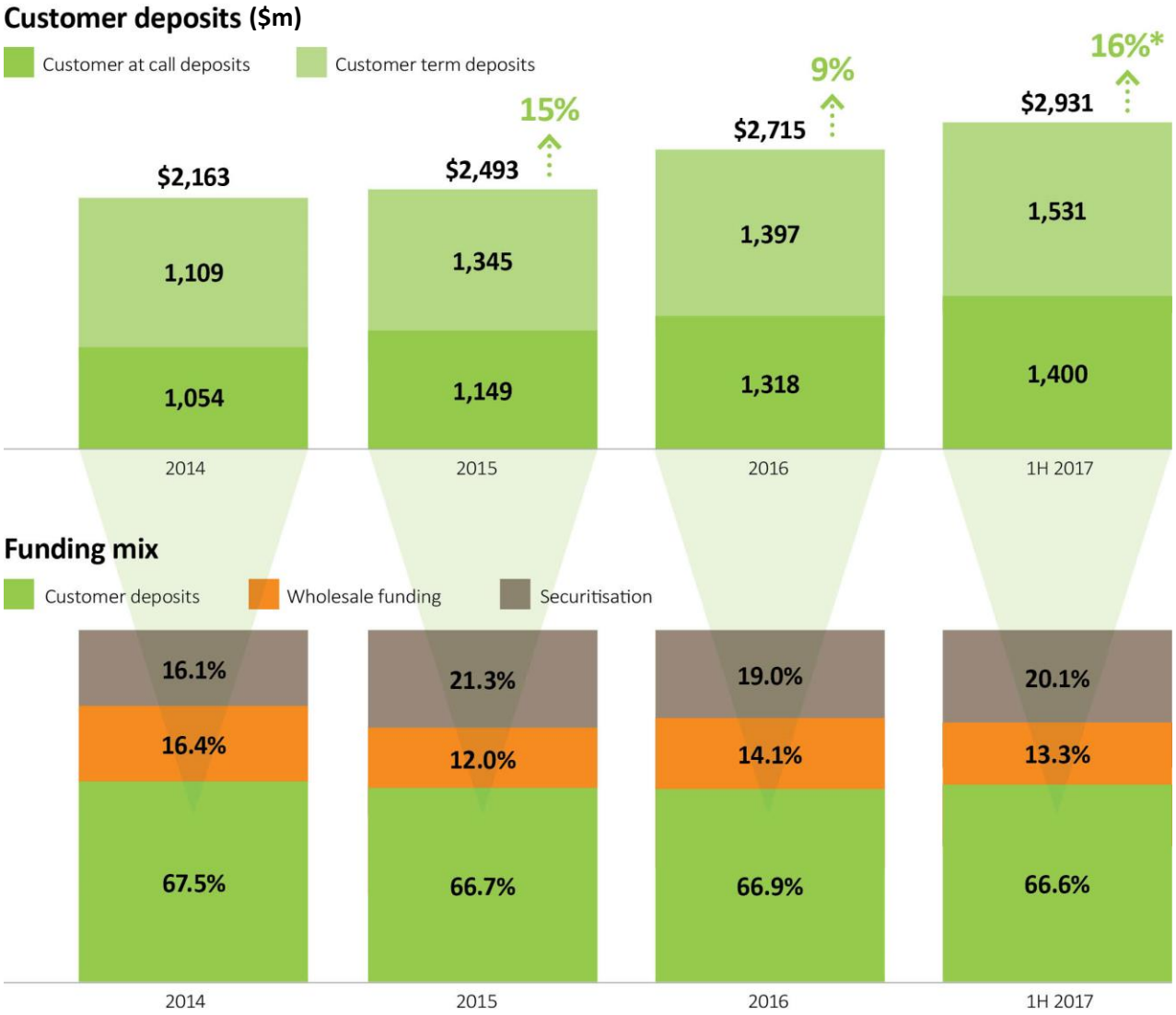
Impaired assets at 4bps of loan book





A stable funding mix supported by growth in customer deposits

RMBS issuance in November 16 further diversified the Group's wholesale investor base



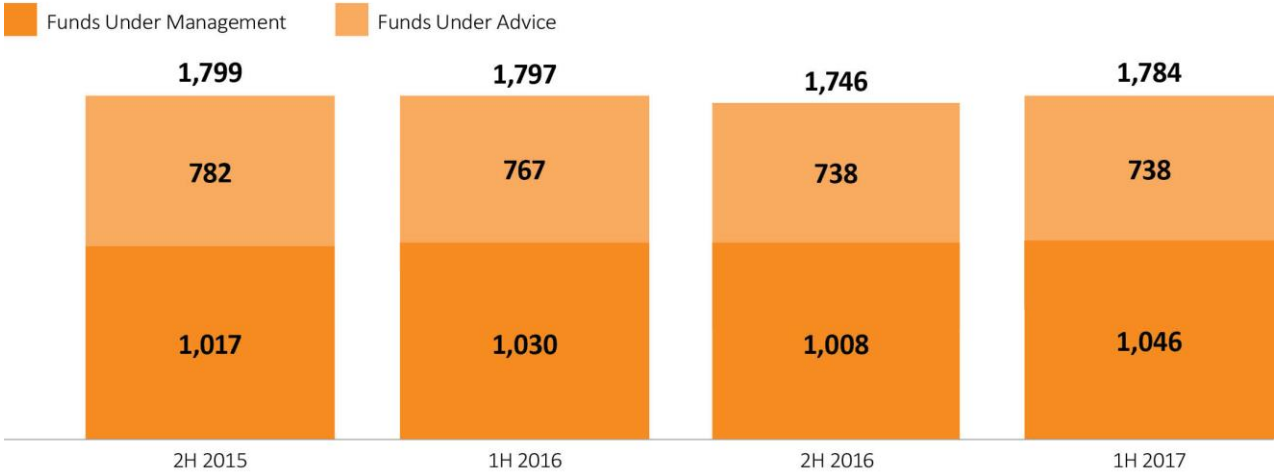
*Annualised growth

Challenging Wealth business environment

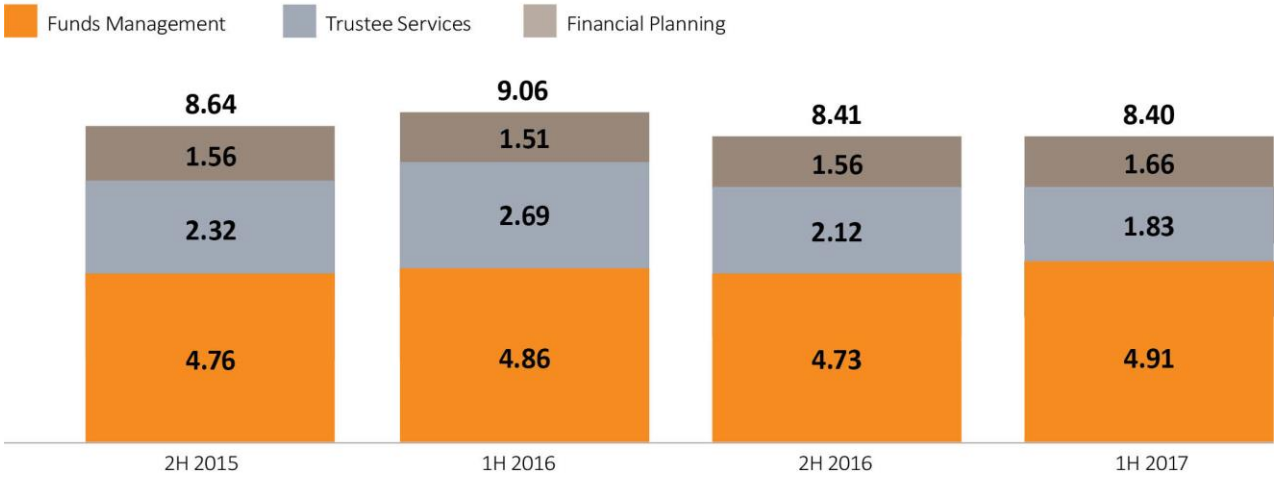
Wealth business impacted by Trustee revenues

FUM performance very strong in 1H 2017

7.5% annualised 1H growth in FUM ($m)



Operating income decreased on pcp ($m)



Wealth

A sustainable pathway to growth

- Stabilise and grow existing revenue whilst building out new revenue streams
- Leverage income fund capability through specialist offering into growth markets
- Continue active will reviews and acquisition of quality clients
- Improve productivity and quality in referral platform across the Group
- Broaden capability and embed strong client focused culture
- Targeted investment to enhance client experience and improve productivity

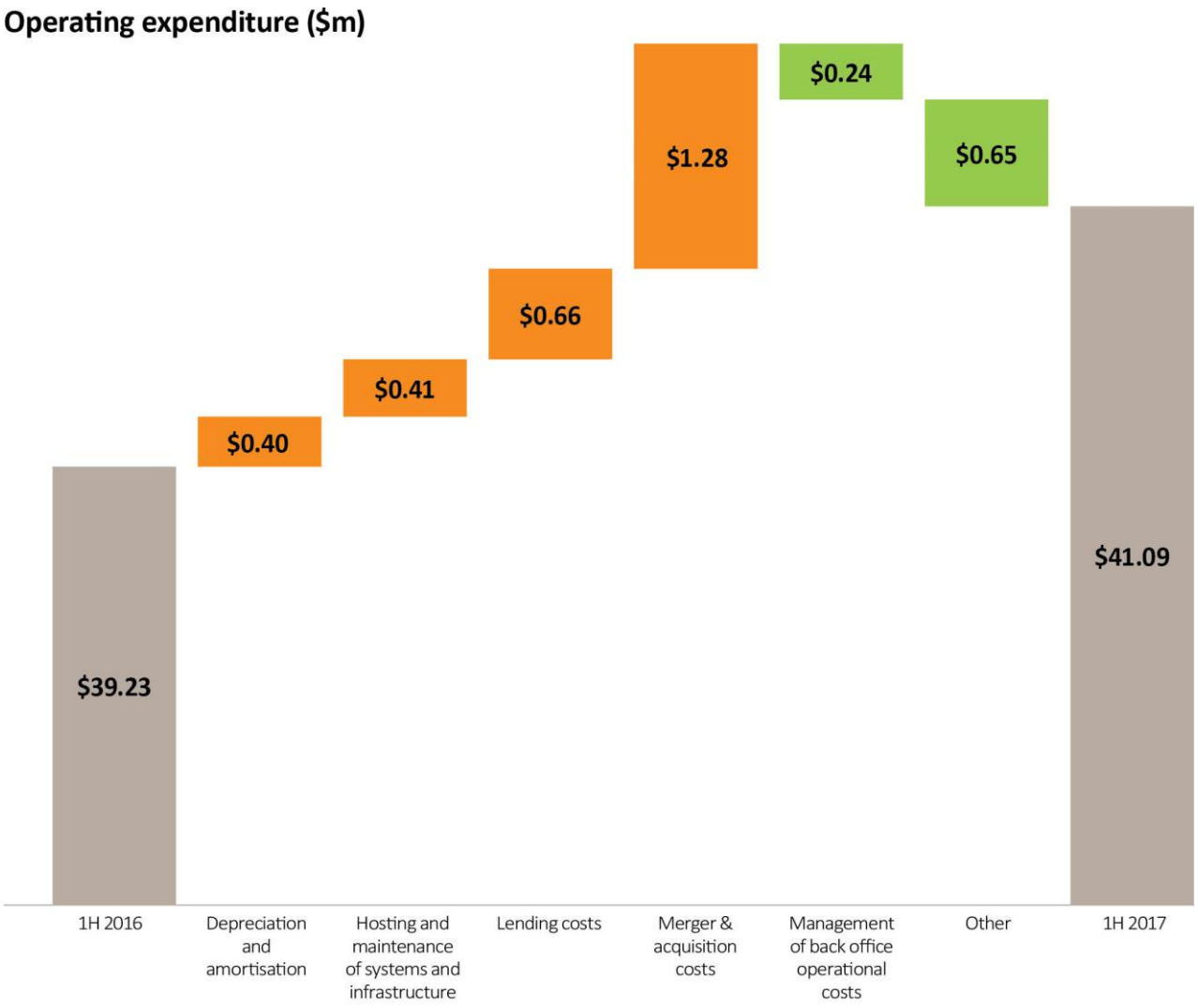
Tight operating cost management continues

A significant due diligence project cost was reported in FY16, with additional related costs of $1.3m continuing into early 1H17

Excluding M&A related costs, cost to income ratio increased by 36 bps on PCP and costs grew by 1.5%

Expenses impacted by M&A cost carry over to 1H 2017

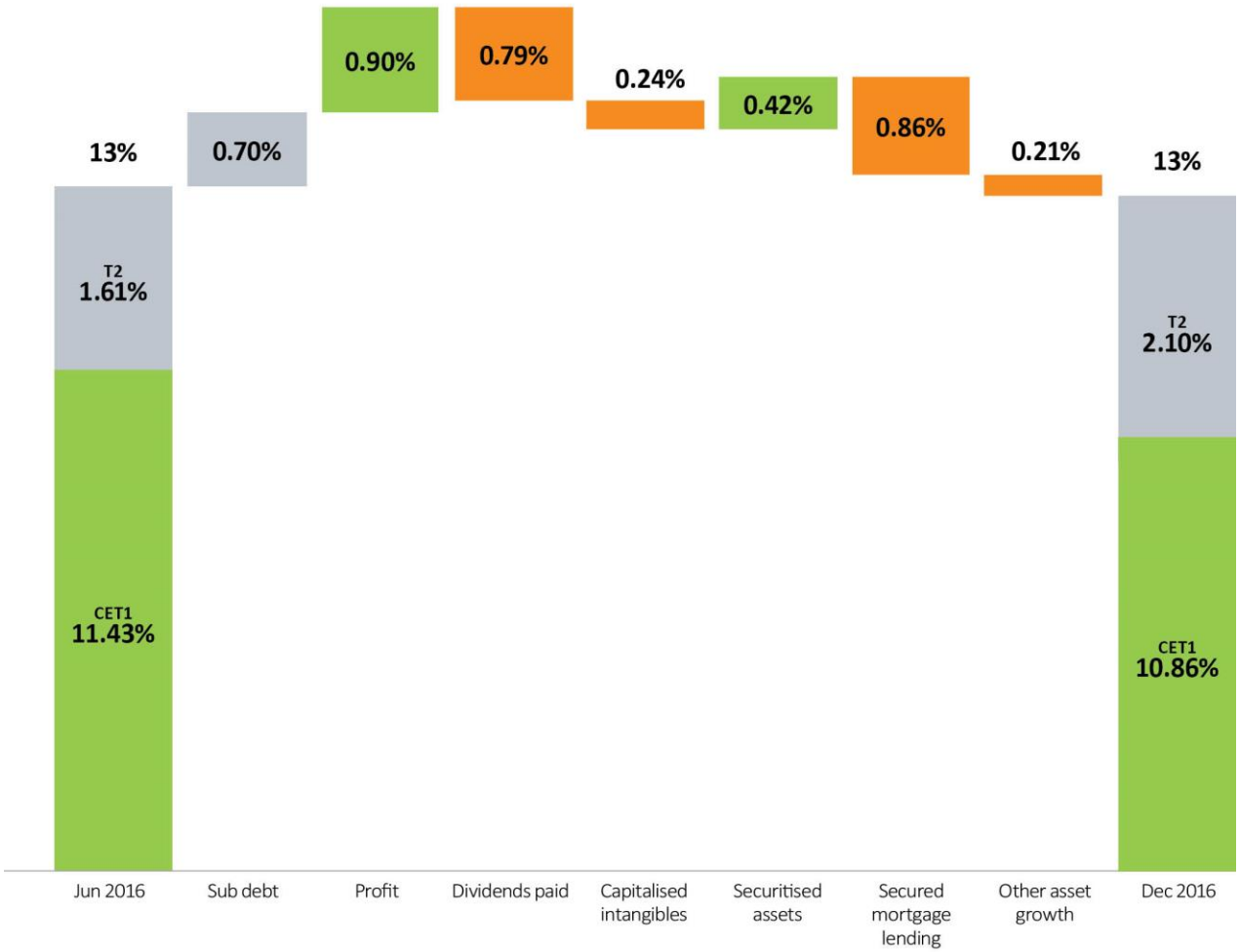
Targeting continued low growth in cost base with productivity remaining a core focus



Capital ratio remains sound

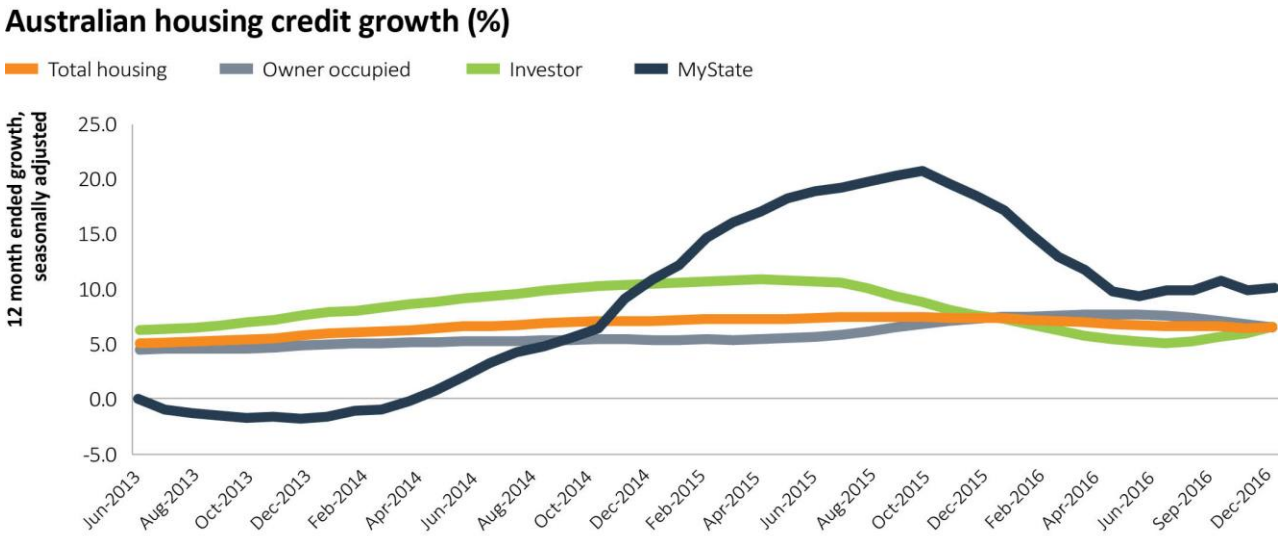
Reactivation of DRP to support continued loan book growth and technology investment program

Strong capital ratio despite above system lending growth



Credit growth has moderated

- Housing credit growth remains solid, albeit there has been further moderation over the final months of 1H 2017
- Growth in investor credit has picked up in the final months of 1H 2017 to 6.2%, consistent with an increase in housing loan approvals while owner occupied credit has moderated to 6.4%
- Annual housing credit growth at 6.3%



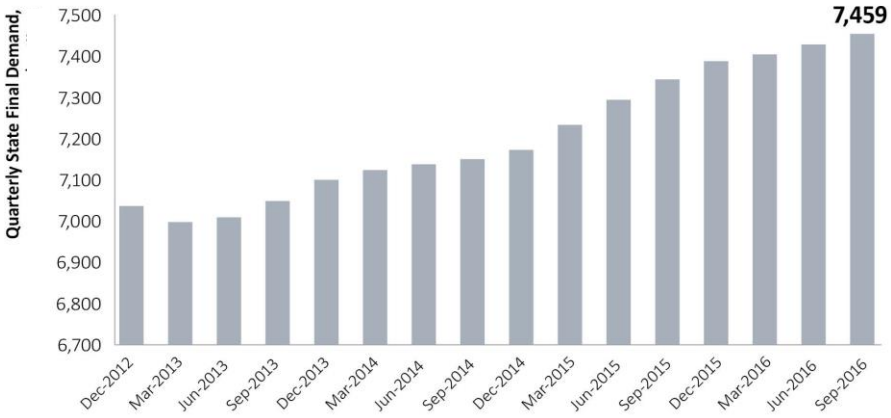
Source: RBA Growth in Selected Financial Aggregates December 2016

Tasmanian economy reaching new heights

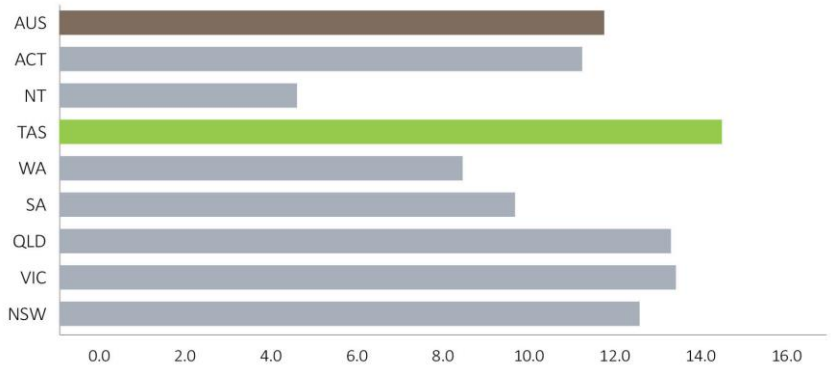
Tasmanian economic growth is reaching new heights:

- Tasmania's economy continues to grow, with State Final Demand recording its 14th consecutive quarter of growth in September in trend terms.
- Tourism continues to thrive, with more people visiting Tasmania than ever and, on average, spending more time and money in the State.
- The labour market is looking more positive, with the economy adding jobs in the second half of 2016 and showing improving signs across the State.
- The Tasmanian housing market is performing well, with Hobart recording solid price growth of 11.20% over the 12 months to December 2016.

State Final Demand, Tasmania ($m)



International Tourist Numbers



% growth year on year to September 16

Dividend Reinvestment Plan Details

- MyState has announced the reactivation of the DRP for existing Shareholders.
- The DRP will be priced at a 2.5% discount to the VWAP calculated over 5 trading days between 27 February 2017 and 3 March 2017.
- Shareholders will have until 24 February 2017 to elect whether they want to participate in the DRP.
- The shares issued to DRP participants will, upon issue, rank equally with all other MyState shares on issue.

How to participate?

- For investors who previously did not participate, or who wish to amend existing elections, can make elections online via the Computershare Investor Centre at www.investorcentre.com.au
- Alternatively, you can contact Computershare on 1300 538 803 to request a DRP election form to complete and return to Computershare.

DRP Timetable

Announcement of DRP activation	17 February 2017
Ex dividend date	22 February 2017
Dividend record date	23 February 2017
Deadline for shareholder participation in the DRP	24 February 2017
DRP pricing period	27 February - 3 March 2017
Dividend payment & DRP share issue date	10 March 2017

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Melos Sulicich
CEO & Managing Director

Being part of the community supports our purpose as a company.

Landscape and outlook

Economic outlook	• Tasmanian economy remains buoyant with foundations for continued growth. • Australian economy continues to experience low inflation and subdued growth. • International economic and political developments continue to create some economic uncertainty.
Sectoral landscape	• Subdued credit growth outlook with high competitive intensity. • Continued lower for longer interest rate environment. • Non-interest income revenue remains challenged across the sector. • The pricing of customer deposit funding continues to be elevated. • Productivity and margin management remain key for the sector.
Regulatory developments	• Inequality between the capital requirements for small and large banks only partially addressed since the Murray report. • Elevated regulatory oversight, regulatory concern over house prices continues to feature.

Landscape and outlook (continued)

MyState's response	• Above system growth and continued geographic diversification. • Margin management and productivity as a core focus. • Pursuit of quality credit growth. • Strong balance sheet supported by a healthy capital ratio. • Disciplined investment and execution of strategy to transform the business.

Delivering a platform for continued profitable growth

What we've achieved:	What we're currently working on:	What's to come:
• Loan book growth well above peers. • MTN program and sub-debt issuance. • $300M RMBS issuance with strong investor participation. • New internet and mobile banking system as well as contemporary payments systems (Android and Apple Pays). • Phase 1 of CRM deployed. • Stronger leadership team and capability.	• Product rationalisation and aligned core systems. • Process simplification • Analytics and CRM improvements. • New Payments Platform. • On-line origination of deposits and personal loans. • Productivity and margin management.	• Continued investment in technology and simplification to improve and streamline services to customers. • Wealth business product and distribution growth strategy. • Build out marketing and CRM capabilities. • Productivity and margin focus.

Underpinned by Credit, Risk & Capital Management

Glossary

1H: First half of financial year
2H: Second half of financial year
30DPD: 30 days past due
90DPD: 90 days past due
AFS: Available for sale
APRA: Australian Prudential Regulation Authority
Avg: Average
BDD: Bad & Doubtful Debt Expense
bps: basis points
CET1: Common Equity Tier 1
cps: Cents per share
CTI: Cost-to-income ratio
DRP: Dividend Reinvestment Plan
EPS: Earnings per share
FY: Financial year
GLA: Gross Loans & Advances
GRCL: General Reserve for Credit Losses
KPI: Key performance indicator
LVR: Loan to valuation ratio
MYS: MyState Ltd
MSB: MyState Bank
NIM: Net Interest Margin
RBA: Reserve Bank of Australia
ROE: Return on equity
ROTE: Return on tangible equity
RWA: Risk weighted assets
SME: Small and Medium Enterprises
TD: Term deposit

Disclaimer

Summary Information

This Presentation contains summary information about MyState and its activities current as at the date of this Presentation. The information is subject to change without notice and does not purport to be complete or comprehensive. It does not purport to summarise all information that an investor should consider when making an investment decision. It should be read in conjunction with MyState's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange, which are available at www.asx.com.au.

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